

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 IO-13 ADP-00 AGR-20 CEA-02 CIAE-00

COME-00 DODE-00 FRB-02 H-03 INR-10 INT-08 L-03 LAB-06

NSAE-00 NSC-10 PA-03 RSC-01 AID-20 CIEP-02 SS-15

STR-08 TAR-02 TRSE-00 USIA-15 PRS-01 OMB-01 RSR-01

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R 270915Z JUL 73

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 2138

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: EGEN, EAGR, ETRD, FR

SUBJECT: FRENCH REACTION TO SOYBEAN CONTROLS SITUATION

REF: A. STATE 135419; B. PARIS 19464

SUMMARY: FRENCH REACTION TO THE U.S. EXPORT CONTROLS ON SOYBEANS HAS BEEN SHARPER THAN THE FACTS OF THE SITUATION WOULD SEEM TO JUSTIFY, AND WE BELIEVE THAT THE REAL CAUSES OF THIS REACTION MUST BE SOUGHT ELSEWHERE.

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2. IN OUR VIEW THERE ARE FOUR MAIN EXPLANATIONS OF FRENCH

BEHAVIOR: (1) THE GOF WISHES TO MAKE POLITICAL CAPITAL WITH THE ALL-IMPORTANT FARM CONSTITUENCY; (2) IT IS SEEKING TO EXPLOIT THE TEMPORARY SHORTAGE OF SOYBEANS TO FURTHER THE LONG-STANDING FRENCH OBJECTIVE OF DEVELOPING EUROPEAN SELF-SUFFICIENCY IN OIL SEED PRODUCTION; (3) IT IS ALSO SEEKING TO USE THE SHORTAGE AS AN ARGUMENT AGAINST LIBERALIZING AGRICULTURAL TRADE IN THE MTN; (4) FRENCH BEHAVIOR IS A FURTHER MANIFESTATION OF POMPIDOU'S GROWING PESSIMISM ABOUT FRANCE'S ABILITY TO ACHIEVE MAJOR FOREIGN POLICY OBJECTIVES AND HIS CURRENT IRRITATION WITH MANY US POLICIES.

3. THE IMPLICATIONS OF THIS ANALYSIS FOR US POLICY ARE CLEAR. ALTHOUGH WE RECOGNIZE THE DOMESTIC SHORTAGE AND PRESSURES WHICH GAVE RISE TO PRESENT SITUATION, THE SOONER WE CAN RETURN TO UNRESTRICTED EXPORTS OF SOYBEANS THE BETTER FOR OUR INTERESTS. THE ISSUE IS ONE WHICH THE FRENCH CAN USE WITH GREAT EFFECT TO COUNTER US OBJECTIVES IN THE TRADE NEGOTIATIONS AND THEY SEEM DETERMINED TO USE IT.
END SUMMARY.

4. FRENCH REACTION TO US EXPORT CONTROLS ON SOYBEANS HAS BEEN FAR SHARPER THAN THAT OF EC PARTNERS. FOR EXAMPLE, FRENCH MINISTER OF AGRICULTURE CHIRAC AT JULY 16 EC COUNCIL OF MINISTERS MEETING IN BRUSSELS SPOKE BITTERLY OF EC'S ABSURD RELIANCE ON "WHIMS" OF THIRD COUNTRIES AND COMPLAINED OF US "AGGRESSION" IN LIMITING EXPORTS OF SOYBEANS. HE THEN ATTACKED FRENCH EC COMMISSIONER FOR DISREGARDING FRANCE'S NATIONAL INTERESTS. THE PRESS SPEAKS REGULARLY OF A SOYBEAN WAR. POMPIDOU REFERRED PUBLICLY TO A LETTER ADDRESSED TO PRESIDENT NIXON ON THIS SUBJECT AND ON JULY 11 STATED AT A COUNCIL OF MINISTERS MEETING THAT "IT WAS UNTHINKABLE TO DEPEND ON A FOREIGN SOURCE FOR A COMMODITY IN SUCH SHORT SUPPLY."

5. FRENCH REACTION HAS BEEN SO SHARP IN FACT THAT IT INEVITABLY RAISES QUESTIONS ABOUT GOF'S TRUE MOTIVES. THE SUSPICION THAT THESE GO BEYOND MERE CONCERN ABOUT SOYBEAN SUPPLY SITUATION IS STRENGTHENED BY AN ANALYSIS OF SUPPLY DATA.

6. ALTHOUGH ACCURATE INFORMATION ON THE SOYBEAN SUPPLY SITUATION IN FRANCE IS NOT AVAILABLE, WE BELIEVE THAT FRANCE IS LIMITED OFFICIAL USE

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FAR LESS DEPENDENT ON US SUPPLIES THAN ITS EC PARTNERS, AND WE DO NOT BELIEVE THAT THE SHORTFALL WILL BE SIGNIFICANT ENOUGH TO CAUSE SERIOUS ECONOMIC DAMAGE. THIS CONCLUSION IS SUPPORTED BY THE FOLLOWING FACTS: FIRST, COMMERCIAL COMPOUND FEEDS (THAT EMPLOY PROTEIN MEALS) ARE GENERALLY LESS USED BY FRENCH LIVESTOCK PRODUCERS THAN PRODUCERS IN OTHER EC COUNTRIES. THUS, UNLESS FRENCH WERE MORE DILATORY THAN OTHER EC COUNTRIES IN PLACING ORDERS (WHICH WE HAVE NO REASON TO

BELIEVE WAS THE CASE), THE IMPACT ON THEIR AGRICULTURE WOULD APPEAR TO BE LESS THAN FOR OTHER EC COUNTRIES. SECOND, WE BELIEVE THAT IMPORTS OF OTHER PROTEINS, ESPECIALLY PEANUT MEAL, ARE ABOUT AVERAGE. THIRD, US SOYBEAN EXPORTS TO FRANCE ARE UP SHARPLY DURING PRESENT CROP YEAR. FOR THE PERIOD SEPTEMBER-MARCH (LATEST FIGURES) FRENCH SOYBEAN IMPORTS FROM THE US ARE UP 25 PERCENT AND SOYBEAN MEAL UP 27 PERCENT. FOURTH, THE FRENCH ARE MAJOR PRODUCERS OF CORN AND CEREALS AND COULD PRESUMABLY COVER THEMSELVES -- ALBEIT AT A GREATER COST -- FOR A TWO OR THREE-MONTH PERIOD. FINALLY, IT IS NOTABLE THAT PRESS RELEASES PUT OUT LAST WEEK BY VARIOUS FRENCH FARM ORGANIZATIONS, UNLIKE EARLIER STATEMENTS, SPEAK OF A WORLD PROTEIN SHORTAGE RATHER THAN A SPECIFIC SHORTAGE IN FRANCE.

7. ALTHOUGH DIFFICULT TO DETERMINE AT THIS TIME, IT IS THUS ENTIRELY POSSIBLE THAT FRANCE WILL SQUEAK THROUGH UNTIL NEW CROP BECOMES AVAILABLE WITHOUT SHARP PRICE INCREASES IN THE FOOD PRODUCTS EFFECTED. ADMITTEDLY, EVEN A MODERATELY INFLATIONARY EFFECT WOULD BE OF CONCERN TO THE GOF GIVEN THE FACT THAT INFLATION IS FRANCE'S NUMBER ONE ECONOMIC PROBLEM. ANOTHER CAUSE OF CONCERN IS THE FACT THAT, WHILE SUPPLY SHORTAGES DO NOT APPEAR SERIOUS, THEY ARE CONCENTRATED IN BRITTANY, A POLITICALLY SENSITIVE, ECONOMICALLY BACKWARD REGION. MOREOVER, THE SHORTAGE HAS UNDOUBTEDLY MADE LIFE MORE DIFFICULT FOR FRENCH HOG AND POULTRY PRODUCERS.

8. NONETHELESS, THE SHRILLNESS OF THE FRENCH REACTION SEEMS TO US TO BE OUT OF PROPORTION TO THE FACTS OF THE SITUATION AND WE BELIEVE THAT THE REAL CAUSES OF THIS REACTION MUST BE SOUGHT ELSEWHERE.

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9. IN OUR VIEW THERE ARE FOUR MAIN EXPLANATIONS OF FRENCH BEHAVIOR: (1) THE GOF WISHES TO MAKE POLITICAL CAPITAL WITH THE ALL-IMPORTANT FARM CONSTITUENCY; (2) IT IS SEEKING TO EXPLOIT THE TEMPORARY SHORTAGE OF SOYBEANS TO FURTHER THE LONG-STANDING FRENCH OBJECTIVE OF DEVELOPING EUROPEAN SELF-SUFFICIENCY IN OIL SEED PRODUCTION; (3) IT IS ALSO SEEKING TO USE THE SHORTAGE AS AN ARGUMENT AGAINST LIBERALIZING AGRICULTURAL TRADE IN THE MTN; (4) FRENCH BEHAVIOR IS A FURTHER MANIFESTATION OF POMPIDOU'S GROWING PESSIMISM ABOUT FRANCE'S ABILITY TO ACHIEVE MAJOR FOREIGN POLICY OBJECTIVES AND HIS CURRENT IRRITATION WITH MANY US POLICIES.

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10. THE FARM VOTE - THE RESULTS OF LAST SPRING'S LEGISLATIVE ELECTIONS CONVINCED THE UDR THAT THE FARM VOTE WAS ESSENTIAL TO ITS CONTINUANCE IN POWER. IN DISTRICT AFTER DISTRICT, THE FARM VOTE SPELLED THE DIFFERENCE BETWEEN VICTORY AND DEFEAT FOR THE UDR CANDIDATES. AGRICULTURE MINISTER CHIRAC, WHO IS MUCH MORE A POLITICIAN THAN AN AGRICULTURE MINISTER, HAS BEEN TAKING AN INCREASINGLY SHARP LINE IN DEFENSE OF THE INTERESTS OF FRENCH FARMERS IN AN EFFORT TO CONSOLIDATE RURAL SUPPORT BY CONVINCING THE FARMERS THAT THE UDR IS THEIR ONLY TRUE FRIEND. CHIRAC'S EMOTIONAL OUTBURSTS ON SOYBEANS IN BRUSSELS, ALTHOUGH IN PART A REFLECTION OF THE MAN'S OWN TEMPERAMENT, ARE CLEARLY A PART OF THIS CAMPAIGN.

11. SELF-SUFFICIENCY IN OIL SEED PRODUCTION - FOR SEVERAL YEARS THE GOF HAS BEEN TRYING TO PUSH THE EC INTO ESTABLISHING A CAP FOR OIL SEEDS ON THE GROUND THAT EUROPE MUST NOT BE DEPENDENT ON EXTERNAL SOURCES FOR VITAL PROTEIN SUPPLIES. THIS OBJECTIVE

IS INSPIRED BY CONSIDERATIONS WHICH ARE CENTRAL TO IMPORTANT FRENCH INTERESTS. IN THE FIRST PLACE, IF THE EC DID DECIDE TO ESTABLISH A CAP FOR OIL SEEDS, THE FRENCH FOR GEOGRAPHIC AND CLIMATIC REASONS WOULD BE THE PRINCIPAL PRODUCER. THE FRENCH HAVE BEEN EXPERIMENTING WITH SOYBEAN PRODUCTION IN RECENT YEARS, AND IT IS ESTIMATED THAT AT PRESENT WORLD PRICES ABOUT 100,000 HECTARES OF FRENCH FARMLAND COULD BE CONVERTED TO SOYBEANS. IF THE WORLD PRICE WERE TO RISE HIGH ENOUGH, THIS ACREAGE COULD BE SUBSTANTIALLY INCREASED AND, ONCE THE CAP MECHANISM WAS IN PLACE, IT WOULD BE DIFFICULT TO CUT BACK PRODUCTION EVEN IF THE WORLD PRICE WENT BACK DOWN. THERE IS ALSO A POLITICAL FACTOR. GIVEN THE FRENCH DRIVE FOR "INDEPENDENCE" FROM THE US, DEPENDENCE BY EUROPE ON THE US FOR SUPPLIES OF SUCH A VITAL COMMODITY IS UNDOUBTEDLY IRKSOME TO THE GOF. SOME FRENCH COMMENTATORS HAVE GONE SO FAR AS TO ARGUE THAT THE US COULD USE ITS MONOPOLY OF SOYBEAN PRODUCTION TO BLACKMAIL EUROPE. THE CURRENT SHORTAGE ADMIRABLY SUPPORTS THE FRENCH THESIS AND THE GOF HAS BEEN QUICK TO CAPITALIZE ON IT.

12. AGRICULTURE IN MTN - AS THE PRINCIPAL BENEFICIARY OF THE CAP, FRANCE HAS BEEN THE MOST OUTSPOKEN OPPONENT OF THE US OBJECTIVE OF OBTAINING SIGNIFICANT LIBERALIZATION OF THE AGRICULTURAL TRADE IN THE MTN. IN SPITE OF REPEATED US ASSURANCES THAT LIMITED OFFICIAL USE

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WE ARE NOT TRYING TO BREAK UP THE CAP, THE FRENCH SEEM QUITE GENUINELY TO BELIEVE THAT LIBERALIZATION OF TRADE IN AGRICULTURE IS IRRECONCILABLE WITH PRESERVATION OF THE CAP. THE SOYBEAN SHORTAGE HAS GIVEN THE FRENCH A GOLDEN OPPORTUNITY TO MOBILIZE OPPOSITION WITHIN THE EC AGAINST THE US OBJECTIVE AND TO GENERATE SUPPORT FOR THE FRENCH VIEW THAT THE OBJECTIVE OF THE NEGOTIATIONS SHOULD NOT BE INCREASED ACCESS FOR AGRICULTURAL EXPORTS BUT INTERNATIONAL COMMODITY AGREEMENTS DESIGNED TO ORGANIZE WORLD MARKETS IN A SITUATION OF SERIOUS AND PROBABLY LONG-LASTING SHORTAGE.

13. POMPIDOU'S MALAISE - THE FRENCH PRESS HAS BEEN SPEAKING OPENLY OF PRESIDENT POMPIDOU'S PESSIMISM, HIS GROWING BELIEF THAT EVENTS BEYOND HIS CONTROL ARE MAKING IT INCREASINGLY DIFFICULT FOR HIM TO ACHIEVE HIS GOAL OF A EUROPE INDEPENDENT OF THE TWO HEGEMONIES (US AND USSR) UNDER FRENCH LEADERSHIP. WHEREVER HE TURNS, HE SEES THE US STANDING IN FRANCE'S WAY. THE EFFECT OF THE DEPRECIATION OF THE DOLLAR ON FRENCH MONETARY OBJECTIVES (SEE PARIS 19376), THE STUBBORN INSISTENCE OF FRANCE'S EC PARTNERS ON PLACING THEIR TIES WITH THE US ABOVE WHAT FRANCE CONSIDERS EUROPE'S INTERESTS, THE US-USSR RAPPROCHMENT WITH ITS THREAT, IN FRENCH EYES, OF CONDOMINIUM ARE ALL CASES IN POINT. THE SOYBEAN EXPORT CONTROLS ARE ONE MORE BITTER REMINDER OF THE US POWER TO AFFECT EUROPE'S DESTINY.

14. THE IMPLICATIONS OF THIS ANALYSIS FOR US POLICY ARE CLEAR. ALTHOUGH WE RECOGNIZE THE DOMESTIC SHORTAGE AND PRESSURES WHICH GAVE RISE TO PRESENT SITUATION, THE SOONER WE CAN RETURN TO UNRESTRICTED EXPORTS OF SOYBEANS, THE BETTER FOR OUR INTERESTS. THE ISSUE IS ONE WHICH THE FRENCH CAN USE WITH GREAT EFFECT TO COUNTER US OBJECTIVES IN THE TRADE NEGOTIATIONS AND THEY SEEM DETERMINED TO USE IT.

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